

Message Text

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C O N F I D E N T I A L VIENNA 3746

E.O. 11652: GDS

TAGS: PFOR, ENRG, EINV, EAID, AU

SUBJECT: AUSTRIAN REQUEST FOR USE OF ERP FUNDS FOR INTEREST SUBSIDIES

REF: A) STATE 95075; B) VIENNA 3171; C) VIENNA 3299;

D) VIENNA 3085

1. THERE HAS BEEN CONSIDERABLE PUBLIC DISCUSSION AND PRESS COVERAGE OF AUSTRIAN PROGRAM FOR REVITALIZING ECONOMY INCLUDING USE OF ERP FUNDS. AUSTRIAN REQUEST TO USG FOR USE OF ERP FUNDS FOR INTEREST SUBSIDIES HAS BEEN WIDELY REPORTED (E.G., REF C). OPPOSITION PARTY (OEVP) SPOKESMAN (AND FORMER FINANCE MINISTER) KOREN WAS CRITICAL OF PROGRAM GENERALLY AT OUTSET (REF B). KOREN WAS ALSO QUOTED IN THE PRESS AS SAYING QUOTE I WOULD NOT NEGOTIATE WITH THE AMERICANS ON ACCOUNT OF 50 MILLION AUSTRIAN SCHILLINGS UNQUOTE. FINANCE MINISTER ANDROSCH WAS QUOTED IN PRESS LAST WEEK AS SAYING THAT WHILE U.S. APPROVAL IS REQUIRED FOR USE OF ERP FUNDS FOR INTEREST SUBSIDIES, IT WILL BE NECESSARY FOR THE GOVERNMENT TO MOVE AHEAD QUICKLY AND ONE COULD NOT WAIT UNTIL QUOTE FORMAL APPROVAL BY U.S. BUREAUCRACY UNQUOTE IS OBTAINED.

2. PRIVATELY WE HAVE HEARD A GOOD DEAL OF SKEPTICAL COMMENT ON AUSTRIAN REQUEST TO USG FOR USE OF ERP FUNDS
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FOR INTEREST SUBSIDIES. AS REPORTED PREVIOUSLY (REF D),

STATE SECRETARY VESELSKY, CLOSE CONFIDANT OF CHANCELLOR, LEFT US WITH CLEAR IMPRESSION THAT CHANCELLOR'S APPROACH TO AMBASSADOR HAD NOT BEEN CAREFULLY THOUGHT THROUGH OR WELL COORDINATED WITHIN GOVERNMENT. OTHER SENIOR CAREER OFFICIALS IN AUSTRIAN GOVERNMENT HAVE ALSO EXPRESSED SKEPTICISM THAT THIS APPROACH WAS WISE OR NECESSARY. AUSTRIAN CHAMBER OF COMMERCE HAS WRITTEN TO CHANCELLOR KREISKY STATING THAT PROGRAM FOR USING ERP FUNDS TO STIMULATE ECONOMY REQUIRES FURTHER CLARIFICATION. ALTHOUGH LEAGUE OF AUSTRIAN INDUSTRIALISTS FORMALLY ANNOUNCED SUPPORT OF THE PROGRAM FOR USE OF ERP FUNDS GENERALLY IN STIMULATING ECONOMY, A SOURCE WITHIN THIS ORGANIZATION HAS EXPRESSED CONSIDERABLE PRIVATE CRITICISM OF THE DECISION TO APPROACH USG.

3. WE HAVE GENERAL IMPRESSION THAT INFORMED AUSTRIAN OPINION IS SKEPTICAL ABOUT NECESSITY FOR CHANCELLOR'S REQUEST TO THE USG.BUCHANAN

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